



Control Number: 51415



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**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE
ELECTRIC POWER COMPANY FOR § OF
AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS**

**COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION
TO SOUTHWESTERN ELECTRIC POWER COMPANY
QUESTION NO. STAFF 5-1 THROUGH STAFF 5-66**

Pursuant to 16 Texas Administrative Code (TAC) § 22.144 of the Commission's Procedural Rules, the Staff of the Public Utility Commission of Texas (Staff) requests that Southwestern Electric Power Company (SWEPCO) and through its attorneys of record, provide the following information and answer the following question(s) under oath. The question(s) shall be answered in sufficient detail to fully present all of the relevant facts, within the time limit provided by the Presiding Officer or within 20 days, if the Presiding Officer has not provided a time limit. Please copy the question immediately above the answer to each question. These question(s) are continuing in nature, and if there is a relevant change in circumstances, submit an amended answer, under oath, as a supplement to your original answer. State the name of the witness in this cause who will sponsor the answer to the question and can vouch for the truth of the answer.

Provide responses to the Requests for Information by filing with the Commission solely through the Interchange on the Commission's website and provide notice, by email, to all other parties that the pleading or document has been filed with the Commission, unless otherwise ordered by the presiding officer pursuant to the Order Suspending Rules in Docket No. 50664.

Dated: November 5, 2020

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on November 5, 2020, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Robert Dakota Parish
Robert Dakota Parish

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**COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION
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DEFINITIONS

- 1) "SWEPCO" or "Company: or "you" refers to Southwestern Electric Power Company. and any person acting or purporting to act on their behalf, including without limitation, attorneys, agents, advisors, investigators, representatives, employees or other persons.

- 2) "Document" includes any written, recorded, or graphic matter, however produced or reproduced, including but not limited to correspondence, telegrams, contracts, agreements, notes in any form, memoranda, diaries, voice recording tapes, microfilms, pictures, computer media, work papers, calendars, minutes of meetings or other writings or graphic matter, including copies containing marginal notes or variations of any of the foregoing, now or previously in your possession. In the event any documents requested by this Request for Information have been transferred beyond the Company's control, describe the circumstances under which the document was destroyed or transferred and provide an exact citation to the subject document. In the event that documents containing the exact information do not exist, but documents do exist which contain portions of the required information or which contain substantially similar information, then the definition of "documents" shall include the documents which do exist, and these documents will be provided.

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**COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION
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INSTRUCTIONS

- 1) Pursuant to 16 TAC § 22.144(c)(2), Staff requests that answers to the requests for information be made under oath.
- 2) Please copy the question immediately above the answer to each question. State the name of the witness in this cause who will sponsor the answer to the question and can vouch for the truth of the answer.
- 3) These questions are continuing in nature, and if there is a relevant change in circumstances, submit an amended answer, under oath, as a supplement to your original answer.
- 4) Words used in the plural shall also be taken to mean and include the singular. Words used in the singular shall also be taken to mean and include the plural.
- 5) The present tense shall be construed to include the past tense, and the past tense shall be construed to include the present tense.
- 6) If any document is withheld under any claim of privilege, please furnish a list identifying each document for which a privilege is claimed, together with the following information: date, sender, recipients or copies, subject matter of the document, and the basis upon which such privilege is claimed.
- 7) Pursuant to 16 TAC § 22.144(h)(4), if the response to any request is voluminous, please provide a detailed index of the voluminous material.
- 8) Staff requests that each item of information be made available as it is completed, rather than upon completion of all information requested.

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**COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION
TO SOUTHWESTERN ELECTRIC POWER COMPANY
QUESTION NO. STAFF 5-1 THROUGH STAFF 5-66**

Taxes Other Than Income Taxes

- Staff 5-1** Please provide a copy of the Texas Franchise Tax Form due to the Texas Comptroller of Public Accounts on May 15, 2020 (or as automatically extended because of COVID-19). If the Company has not yet filed such form, provide an explanation for why it has not been filed and provide a copy of any prepared draft of the form and calculation of the estimate of the taxes due along with any workpapers supporting the calculation.
- Staff 5-2** Provide copies of the quarterly Texas Gross Receipts Tax Reports that were filed during the test year and for each quarter subsequent to the test year.
- Staff 5-3** Please provide a copy of the Company's most recent PUC Assessment Tax Report and the amount of the payment due.
- Staff 5-4** Please provide the Company's FICA Form 941 for all quarters during and subsequent to the test year. Please update this response as additional quarterly reports are filed.
- Staff 5-5** Please provide a copy of the Company's most recently filed FUTA tax Form 940.
- Staff 5-6** For the tax form provided in Staff 1-5 above, provide the number of employees for which the FUTA tax was paid.
- Staff 5-7** Has the Company, its affiliates, or other entities with which it jointly owns property protested property tax valuations in Texas, Arkansas, or Louisiana in the past five years? If yes, provide the results of such protests and any documents related to the result.
- Staff 5-8** For any current or test year property tax valuation protest(s), provide documents related to such protest(s) including all documents and arguments provided with respect to the valuation of the Knox Lee, Lone Star, Lieberman, or Dolet Hills plants for property tax purposes.
- Staff 5-9** Provide the test year amount of property taxes incurred or paid by SWEPCO on the Knox Lee, Lone Star, Lieberman, and Dolet Hills plants.
- Staff 5-10** Provide the amount of property taxes included in the Company's requested revenue requirement related to the Knox Lee, Lone Star, Lieberman, and Dolet Hills plants.

- Staff 5-11** With regards to the calculation of property tax expense, does the Company apply a CWIP and/or obsolescence factor to its gross plant in service balance? If yes, provide those factors for the test year and previous four calendar years.
- Staff 5-12** Is the Company's CWIP subject to any ad valorem taxes? If so, state whether the taxes are expensed or capitalized. Provide the amount of requested ad valorem tax associated with any CWIP balances. If the Company has included the associated expense in its requested revenue requirement, please identify where.
- Staff 5-13** Does the Company pay taxes on plant leased to others? If so, is the Company reimbursed for these taxes?
- Staff 5-14** Does the Company's request for ad valorem taxes include taxes on property values deemed imprudent by the Commission? If so, please identify the amount of taxes and the associated plant balance.
- Staff 5-15** Does the Company's request for ad valorem taxes include taxes on property (for instance the retired Welsh Unit 2) which is not used and useful in providing utility service? If so, please identify the amount of taxes included and the associated plant balance.
- Staff 5-16** Provide the following regarding the Company's ad valorem taxes:
- a) Total taxes paid for the prior three calendar years in Texas and all other jurisdictions.
 - b) Accounting distribution of taxes paid in each state for the prior three calendar years (expense, capital, and other by FERC account).
 - c) Total gross and net book values upon which such taxes were assessed and paid in each jurisdiction for the prior three calendar years. Distinguish by component as applicable (plant in service, materials and supplies, CWIP, etc.)
 - d) Property taxes charged to electric expenses for each month of the test year by FERC account.
- Staff 5-17** Describe in detail by Texas and other states the assessment of property taxes on fuel as well as materials and supplies.
- Staff 5-18** Refer to electronic workbook WP A-3.13.1 (ad valorem). Provide a detailed explanation of what the amount in cell E62 labeled DH GAAP Depreciation is and provide a detailed justification for why it is included in the plant balance subject to ad valorem taxes.
- Staff 5-19** What amount for the Dolet Hills plant is included in the plant in service balance for purposes of calculating requested ad valorem taxes? Has SWEPCO actually been assessed ad valorem taxes on the Dolet Hills generating plant by the taxing authority or are they assessed to another party? If assessed to another party, identify the party. If assessed to SWEPCO, provide the amount assessed for the last three years.

Staff 5-20 Refer to electronic workbook WP A-3.13.1 (ad valorem) and confirm that the amounts in cells E42 through E54 represent amounts that were disallowed in Docket No. 46449. If not, explain what these items are.

Staff 5-21 Refer to the electronic workbook for WP A-3.13.1 (ad valorem) and provide a description of each leased property included in the amounts in cells E30 through E35. Please also:

- a) Provide the amounts for each of these items on SWEPCO's books at the end of the test year in Docket No. 46449 and the amount included in ad valorem taxes in that case related to each.
- b) If the treatment of these items by the taxing jurisdictions have changed since Docket No. 46449, provide a detailed explanation of the different treatment.
- c) Confirm that these amounts were removed from rate base on Schedule B-1.5.1 because "these lease payments are included in cost of service, as discussed in the testimony of Mr. Michael Baird."
- d) Provide evidence that such leased properties are considered tangible property subject to ad valorem taxes in the applicable taxing jurisdiction and that SWEPCO is the party assessed the tax separately from the lease payments included in operating expense as discussed in the testimony of Mr. Baird at page 43.

Staff 5-22 Refer to the electronic workbook for WP A-3.13.1 (ad valorem) at cell E10. Please provide a detailed explanation and reference to other rate filing package schedules for each value included in the formula in this cell. Please also reconcile the value in this cell to Schedule G-9 as referenced.

Staff 5-23 Refer to the electronic workbook for WP A-3.13.1 (ad valorem). For each amount included in cells E29 through E65, provide the January 1, 2019 balance of each.

Payroll/Incentive

Staff 5-24 Has the Company experienced any reductions in force since the end of the test year? Does the Company anticipate any reductions in force between now and the end of the rate year? If the answer to either question is yes, please describe and quantify.

Staff 5-25 Reference Schedules G-1.1 through G-1.6. Provide the annual total amount for each category of requested information by schedule for calendar year 2019.

Staff 5-26 Refer to the testimony of Michael A. Baird at page 20, lines 7 through 10, which states: "The annualized base payroll calculation also accounts for the billings of labor cost to participants in the Flint Creek, Pirkey, and Turk power plants, which results in the appropriate SWEPCO amount being included in the cost of service." Please explain how SWEPCO bills expenses for payroll and other operations and maintenance costs to the other participants in these plants and how such billings

to and payments from the other participants are reflected on SWEPCO's books and in the requested revenue requirement.

- Staff 5-27** Provide the most recent payroll annualized by FERC account separately for SWEPCO and for the amounts allocated to SWEPCO by AEPSC and include a detailed explanation of the calculations.
- Staff 5-28** Refer to WP Schedule A-3.2, page 2 of 3, and provide detailed step-by-step explanations of the calculations of the amounts excluded as financial goals and ½ of funding for the annual incentive compensation adjustment.
- Staff 5-29** Please refer to the testimony of Andrew R. Carlin at page 31, lines 5-7 which states "The Companies' STI has averaged 154% of target over the last 5 years, which is well above the target level. It is the target level of STI that brings Total Compensation to reasonable and market-competitive levels." Based on the fact that the Companies' STI has averaged 154% above the target level for the past 5 years, quantify how much above market-competitive levels the Companies' employees have earned in each of the last 5 years.
- Staff 5-30** Refer to the testimony of Michael A. Baird at page 26, lines 11-13. Where is SWEPCO's direct supplemental pension plan expense removed in the Company's request? Provide cites to the relevant pro forma adjustment that includes the amounts removed by FERC account (both expensed and capitalized).
- Staff 5-31** Please provide separately by FERC account, the dollar amount of affiliate/allocated payroll expensed and capitalized by affiliate during the test year, the adjustments to such amounts, and the total requested amount.
- Staff 5-32** For each employee of SWEPCO, its parent company, or affiliate whose salary and benefits are in any way included in SWEPCO's revenue requirement and whose salary and benefits are subject to the \$1 million deductibility limit under the Tax Cuts and Jobs Act of 2017, provide for each individual the total compensation by type and the amount of such compensation included in SWEPCO's request by FERC account.
- Staff 5-33** Does the Company's requested revenue requirement include any amounts for moving allowances, signing bonuses, or severance packages? If so, please specify by type, amount, and FERC account.
- Staff 5-34** Reference the Company's response to Staff 5-33. Please provide the level of moving allowances, signing bonuses, and severance payments for the previous three calendar years and the current calendar year to date.
- Staff 5-35** Does the Company's requested revenue requirement include amounts for executive perquisites such as financial planning and tax gross-ups? If so, please provide an explanation of the types of perquisites included, a copy of the Company's policies regarding the payment of such perquisites, and the amount of such payments included in the revenue requirement by FERC account.

Staff 5-36 Please provide the amount of financial based incentive compensation expense capitalized each year by plan type since the June 30, 2016 end of the test year in Docket No. 46449 and included in the Company's requested invested capital balance. Provide the information by FERC account by year separately for SWEPCO and allocated affiliate expenses.

Staff 5-37 Please provide the amount of supplemental executive retirement program expense capitalized every year since the June 30, 2016 end of the test year in Docket No. 46449 and included in the Company's requested invested capital balance. Provide the information by FERC account by year separately for SWEPCO and allocated affiliate expenses.

Audits

Staff 5-38 Please provide a list of internal and external audits performed for the Company for the previous three calendar years by its internal and external auditors.

Staff 5-39 Refer to the testimony of Brian J. Frantz at page 21, lines 16 through 19. Please provide a copy of the audit report for the referenced FERC audit of AEP affiliate transactions as well as copies of all communications between AEP and FERC related thereto.

Outside Services

Staff 5-40 Reference Schedule G-8. Please provide the historical level of outside services expenses in the FERC 900 accounts for the previous three calendar years and the current calendar year to date.

Staff 5-41 Are there any duplications of effort for any of the outside services? Is the same function performed by two or more vendors? If so, please detail.

Staff 5-42 Are there any items included in outside services for which the Company has been reimbursed? If yes, please provide documentation.

Staff 5-43 Do any of the outside services represent legislative advocacy expenses? If so, please provide details.

Staff 5-44 Do any of the outside services relate to rate case expenses that should be amortized or surcharged? If yes, please provide details.

Leases and Rents

Staff 5-45 Please provide a schedule of all leases and rentals in place during and subsequent to the test year. Include the lease term, monthly payment, address, business purpose, expiration date, and whether or not the lease will be renewed. For each lease, please provide the amount requested in the Company's revenue requirement by FERC account.

Staff 5-46 For each listed in the response to Staff 5-45, provide the test year amount incurred for each lease and any proposed adjustments to each amount.

Accounting Changes

Staff 5-47 Please identify all changes to accounting policy since the Company's last rate case in Texas in which the Company has changed from expensing certain costs to capitalizing them or vice versa. Provide internal documentation of such policy changes. For each change, identify the number of dollars in each year since the change in accounting policy took place.

Affiliates

Staff 5-48 Has the Company included any amounts for carrying costs associated with affiliate or shared assets that have been charged by an affiliate in its revenue requirement? If so, please provide by FERC account the amount in total, amount that is debt based, and the amount considered equity return.

Staff 5-49 Please provide the rate of return, cost of equity, and cost of debt utilized in determining the carrying costs associated with affiliate costs or shared assets that have been charged to the Company by an affiliate.

Staff 5-50 Refer to the testimony of Monte A. McMahon at page 27, Figure 4. Please provide the AEPSC generation O&M affiliate charges to SWEPCO for each category (VP Eng. Services, etc.) by FERC account separately for each month January 2017 through the present. Provide a detailed explanation for the large increase in calendar year 2019.

Staff 5-51 Refer to the testimony of Brian J. Frantz at page 43, Table 12 and the testimony at lines 13–19. Please provide a detailed explanation for the \$11.9 million over budget amount of the Chief Financial Officer for the test year. Your explanation should include the items that were not included in the budget, the amount of each item, and the reason for exclusion from the budgeted amount.

Staff 5-52 Please provide the AEPSC Chief Financial Officer affiliate charges to SWEPCO by FERC account for each month January 2017 through the present. Provide a detailed explanation and justification for the large increase in the test year over calendar year 2019.

Staff 5-53 Please refer to Exhibit BJB-19, page 16. Please provide a detailed explanation of the adjustment to normalize the AEPSC umbrella trust. Is this an actual cash expenditure or merely a book adjustment to the value of the trust?

Dolet Hills

- Staff 5-54** Refer to the testimony of Thomas P. Brice at page 6, lines 16 through 18 and the testimony of Monte A. McMahon at page 35, line 7. What were the *force majeure* events in 2017 and 2018 that caused forced outages at Dolet Hills? Your answer should include a detailed explanation of each event as well as a discussion of how the events led to the decision to retire the plant.
- Staff 5-55** Refer to the testimony of Thomas P Brice at page 6, line 21 through page 7, line 2. Please provide a copy of the workpaper (or provide the Bates page number or other reference to location in RFP) that shows the calculation of the estimated \$180 million in potential fuel savings related to retirement of the Dolet Hills plant. If the workpaper does not show estimated savings by year, please provide such information.
- Staff 5-56** Have any of the \$180 million in estimated fuel savings been reflected in the Company's request in this proceeding or in the ongoing fuel reconciliation, Docket No. 50997? If so, identify the amounts and where they are reflected and if not, why not?
- Staff 5-57** Does SWEPCO directly incur costs such as payroll, operations and maintenance, insurance, ad valorem and other taxes related to the operation of Dolet Hills or is the Company billed for such items by Cleco? Please provide a detailed discussion and explanation for how SWEPCO is billed and pays for its share of costs related to Dolet Hills and provide all test year amounts, adjustments to test year, and requested amounts by FERC account related to the Dolet Hills plant. The information should be presented separately by SWEPCO's directly incurred costs and those billed to SWEPCO by Cleco.
- Staff 5-58** Refer to the testimony of Thomas P. Brice at page 7, lines 7 through 11. What is Mr. Brice's understanding of the "standard regulatory practice" with respect to recovery of retired plant? Reconcile this understanding with the Commission's regulatory treatment with respect to the retirement of Welsh Unit 2 in Docket No. 46449. Does SWEPCO's proposed treatment of Dolet Hills in this proceeding result in the Company earning a return on the remaining adjusted undepreciated balance?
- Staff 5-59** Refer to W/P B-1.5.17 (Dolet ADFIT Off-set). Provide a detailed explanation and justification for inclusion of the \$29,763,258 amount in column J described as Account 1080161. Include all journal entries (with detailed explanations) to record this amount on SWEPCO's books. Also provide a detailed reconciliation to the \$9,125,930 amount for Account 1080161 recorded at test year end on SWEPCO's trial balance as shown at Schedule A-4.
- Staff 5-60** How does the investment in Oxbow requested in rate base on Schedule B-1 relate to the Dolet Hills plant? Once Dolet Hills is retired, will Oxbow be used and

useful in the provision of electric service by SWEPCO? Please provide a detailed explanation.

Staff 5-61 Refer to the testimony of Michael A. Baird at page 37, lines 1-8. Please provide a detailed explanation of the calculation of the \$1,418,666 of DHLC equity return and related taxes included in the requested base revenue requirement and identify where both are included in SWEPCO's request by schedule number, line number, and FERC account number. Please also provide citations to orders (including specific findings of fact) from Docket Nos. 40443 and 46449 related to inclusion of this equity return in base rates.

Staff 5-62 Once Dolet Hills is retired, what will happen to SWEPCO's equity investment in Dolet Hills Lignite Company?

Other

Staff 5-63 Refer to Schedule G-14, Regulatory Commission Expense and Schedule A-4, Detail Trial Balance for the Test Year Ended March 31, 2020. Please reconcile the total test year amount of \$2,497,184 shown on Schedule G-14, Regulatory Commission Expense, with the amount of \$2,624,761 shown for account 9280, Regulatory Commission Expense, on Schedule A-4.

Staff 5-64 Given that the Commission's order in Docket No. 46449 was issued on March 19, 2018, please provide a detailed explanation and justification for why a full year of amortization of the Welsh Unit 2 regulatory asset was not recorded on the books of SWEPCO for the test year ending March 31, 2020.

Staff 5-65 Please provide a detailed description of all intangible assets as well as the original cost, the amortization period, the test year amount of amortization expense, adjustments to the test year amortization expense, and the requested amortization expense for each stated separately.

Staff 5-66 Are there any amounts in SWEPCO's requested invested capital or revenue requirement related to the Knox Lee, Lieberman, or Lone Star plants? If so, please identify the amounts by schedule number and line number.